



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

October 3, 2002

H.R. 2037

Protection of Lawful Commerce in Arms Act

*As ordered reported by the House Committee on Energy and Commerce
on September 25, 2002*

H.R. 2037 would require the Department of Commerce to establish a voluntary list of manufacturers and sellers of guns and ammunition, as well as the trade associations that represent them. Under the bill, courts could not impose civil damages or other restrictions on the organizations on this list because of gun-related crimes committed by consumers of these products. In return for choosing to be listed, these entities would be protected from lawsuits that otherwise might result in such damages.

Based on information from the Department of Commerce, CBO expects that implementing H.R. 2037 would require one staff member to manage the voluntary list. Assuming the availability of appropriated funds, CBO estimates that the cost of developing and maintaining the list would be negligible. Enacting the bill would not affect direct spending or receipts.

H.R. 2037 would impose both an intergovernmental mandate and a private-sector mandate as defined in the Unfunded Mandates Reform Act (UMRA) by prohibiting state, local, and tribal governments and private-sector parties from entering into lawsuits against certain manufacturers or sellers of firearms and ammunition products, and related trade associations, when such products are used unlawfully to do harm. Only the entities who have registered with the Secretary of Commerce as a manufacturer or seller in interstate or foreign commerce of a firearm or an ammunition product, or a trade association representing such manufacturers or sellers, would be protected under the legislation.

Depending on how lawsuits would be resolved under current law, plaintiffs could stand to receive significant amounts in damage awards. Because few lawsuits have been completed, CBO has no basis for predicting the level of potential damage awards, if any. Therefore, we cannot determine the costs of these mandates (forgone net revenues from damage awards), or whether such costs would exceed the annual thresholds established in UMRA for intergovernmental mandates (\$58 million in 2002, adjusted annually for inflation) and for private-sector mandates (\$115 million in 2002, adjusted annually for inflation).

The CBO staff contacts for this estimate are Ken Johnson (for federal costs), Angela Seitz (for the state and local impact), and Cecil McPherson (for the private-sector impact). The estimate was approved by Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.